

PUBLIC DISCLOSURE

SEPTEMBER 11, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

ATHOL CREDIT UNION

513 MAIN STREET
ATHOL, MASSACHUSETTS 01331

DIVISION OF BANKS
1 SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Division of Banks (Division) to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Athol Credit Union** prepared by the Massachusetts Division of Banks, the institution's supervisory agency.

INSTITUTION'S CRA RATING: This institution is rated “Satisfactory”

This rating is based on the following five performance criteria which are evaluated within the Public Evaluation: (1) Net Loan-to-Share Ratio, (2) Credit Extended Inside/Outside of the Assessment Area, (3) Distribution of Credit Among Members of Different Income Levels, (4) Geographic Distribution of Loans, and (5) Review of CRA related Complaints and Fair Lending Practices. The following summary highlights the results of each performance criterion.

The credit union's average net loan-to-share ratio for the previous four semi-annual periods is 58.4% and meets the standards for satisfactory performance at this time.

Lending within the assessment area is considered to exceed the standards for satisfactory performance. For 1998, 1999 and Y-T-D 2000, Athol Credit Union granted a total of 131 mortgage loans, of which 129 or 98.5% were within its assessment area.

The distribution of the credit union's residential mortgage originations to low and moderate-income members as a percentage of total originations is reasonable. The credit union was found to meet the standards for satisfactory performance for this criterion.

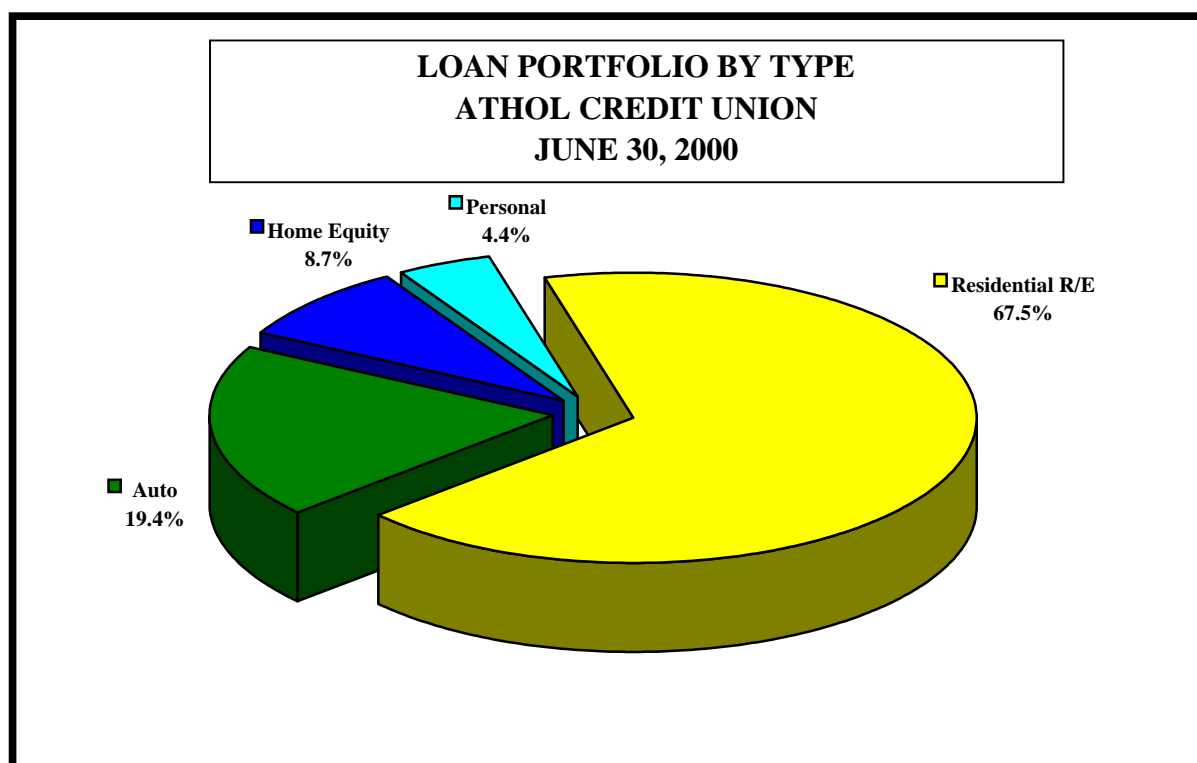
The credit union's performance in lending within the various census tracts within its assessment area is considered to meet the standards for satisfactory performance.

Athol Credit Union's Fair Lending performance is also considered to meet the standards for satisfactory performance.

PERFORMANCE CONTEXT

Description of Institution

Athol Credit Union is a state chartered community credit union incorporated in 1930 whose sole office is located in Athol, Massachusetts. As of June 30, 2000, the credit union had total assets of \$46,624,322, of which 54.7% represents loans in portfolio. Residential lending accounts for the majority of the loans with 67.5%, followed by auto loans (new and used) with 19.4%, home equity loans with 8.7%, and personal consumer loans with 4.4%.



Athol Credit Union is headquartered at 513 Main Street in Athol, Massachusetts. The credit union's hours are convenient and services appear to be accessible to all members. No offices have been opened or closed since the last examination.

The credit union has competition within the immediate area from Athol Savings Bank, Athol-Clinton Co-operative Bank, Colonial Co-operative Bank, and Orange Savings Bank/CFX. The market influence from these institutions appears to be significant, and as a result, serves to keep the credit union's rates competitive.

The credit union was last examined for compliance with the Community Reinvestment Act, by the Division of Banks, on November 24, 1997. That examination resulted in a "Satisfactory" rating.

Description of Assessment Area

Athol Credit Union has designated five towns in Worcester County and four towns in Franklin County as its assessment area. The towns located within Worcester County are Athol, Phillipston, Petersham, Templeton, and Royston. The towns located within Franklin County are Orange, Erving, New Salem, and Warwick.

The Town of Athol is located in the North Quabbin region of West Central Massachusetts. Athol offers a unique blend of urban and rural characteristics including a traditional downtown shopping district and recreational activities such as camping, hunting and fishing.

The local economy is most influenced by three companies: Starrett Tool Company, Rodney Hunt Company, and Simplex. Other significant employers are Athol Memorial Hospital, the Town of Athol/Athol-Royston School District, Athol Table, Inc. and Shop and Save Supermarkets.

The credit union's assessment area includes 8 census tracts: 1 census tract (or 12.5%) is designated as moderate-income, 6 census tracts (or 75.0%) are designated as middle-income, and 1 census tract (or 12.5%) is designated as upper-income. There are no census tracts designated as low-income.

Based on the 1990 US Census data, the residents of the credit union's assessment area have an average income of \$35,185 while 10.7% of the residents are determined to fall below the poverty level. The percentage of owner occupancy within the assessment area was 63.2% and the median value of homes was \$105,683, according to 1990 data.

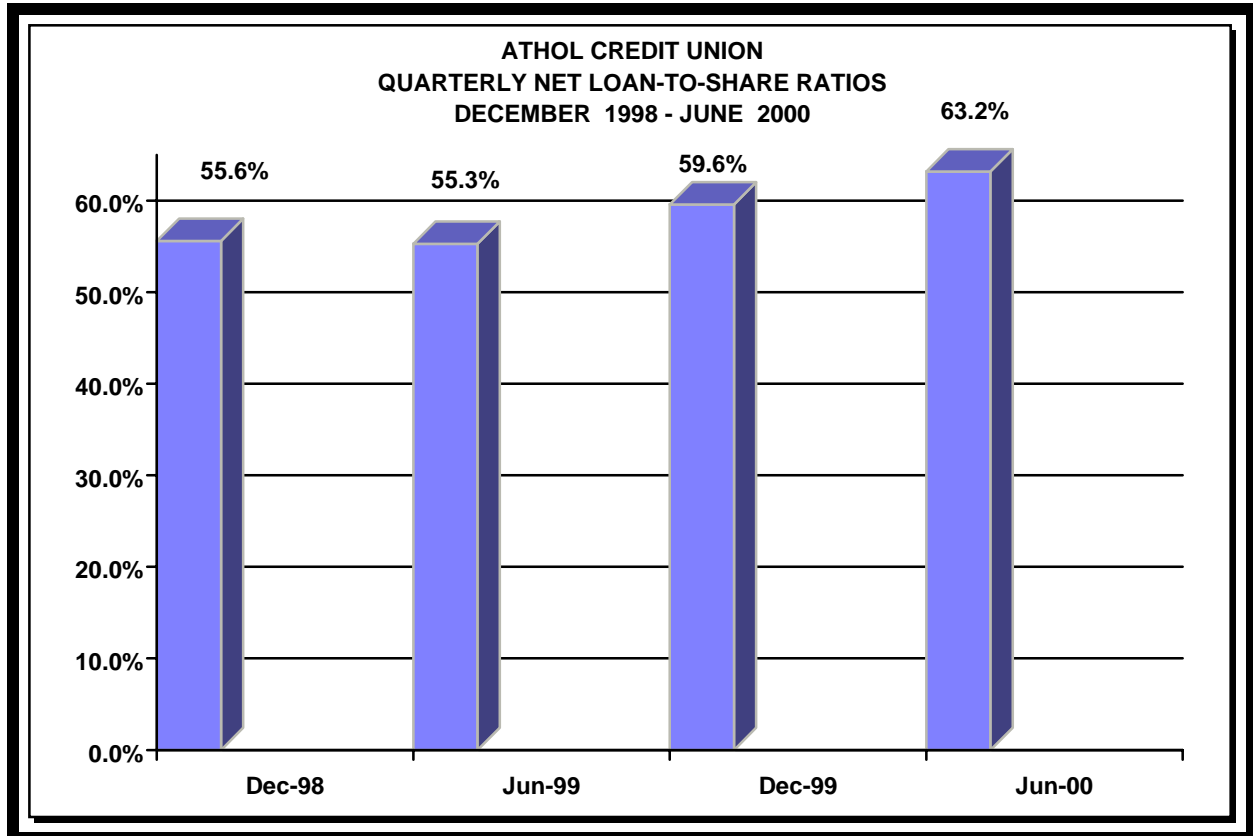
PERFORMANCE CRITERIA

1. LOAN TO DEPOSIT ANALYSIS

An analysis of Athol Credit Union's net loan to deposit (share) ratio was performed during the examination. The calculation incorporated 4 semi-annual periods of the credit union's net loan to total share figures utilizing the NCUA (National Credit Union Association) 5300 call reports. This review included the quarters beginning December 31, 1998, through June 30, 2000.

The institution's average net loan-to-share ratio during this period was determined to be 58.4%. The credit union's net loan-to-share ratio has fluctuated from 55.6% in December 1998 to 63.2% in June 2000. Management stated that the increase was due to attractive interest rates in 1999 and 2000 coupled with increased interest in home ownership within the assessment area.

The following graph illustrates the loan to share trends.



Source: NCUA Call Reports

Athol Credit Union's loan-to-share ratio was compared to that of two other credit unions as of June 30, 2000. Refer to the following table.

Institution	Loan to share ratio (%)
Framingham Municipal Credit Union	71.8%
Athol Credit Union	63.2%
Grafton Suburban Credit Union	58.8%

Based on Athol Credit Union's capacity to lend, the capacity of other similar institutions to lend in their assessment areas, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area, Athol Credit Union's loan to share ratio meets the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA (S)

An analysis was conducted of Athol Credit Union's residential loans and a sample of consumer loans extended inside and outside of the assessment area. Mortgage lending data was obtained from the credit union's in-house Loan Application Register (LAR). Consumer lending data was obtained from the credit union's in-house files.

According to this analysis, the credit union originated 131 residential mortgage loans during the current examination period. A total of 129 loans or 98.5% were originated within the credit union's assessment area. The Town of Athol represented the highest percentage of residential loan originations with 68 or 51.9%, followed by the Town of Orange with 17 or 13.0%. Refer to the following table.

Residential Lending Activity Inside and Outside the Assessment Area by Number

LOCATION	1998		1999		Y-T-D 2000		TOTAL	
	#	%	#	%	#	%	#	%
ATHOL	25	46.4	32	61.6	11	44.0	68	51.9
ORANGE	10	18.5	5	9.6	2	8.0	17	13.0
PHILLIPSTON	5	9.2	3	5.8	3	12.0	11	8.4
NEW SALEM	7	13.0	1	2.0	3	12.0	11	8.4
PETERSHAM	6	11.1	4	7.4	1	4.0	11	8.4
ROYALSTON	1	1.8	5	9.6	2	8.0	8	6.1
WARWICK	0	0.0	1	2.0	2	8.0	3	2.3
TEMPLETON	0	0	0	0.0	0	0.0	0	0.0
ERVING	0	0.0	0	0.0	0	0.0	0	0.0
INSIDE ASSESSMENT AREA	54	100.0	51	98.0	24	96.0	129	98.5
OUTSIDE ASSESSMENT AREA	0	0.0	1	2.0	1	4.0	2	1.5
TOTAL	54	100%	52	100%	25	100%	131	100%

Source: In-house LAR files for 1998, 1999 and year-to-date September 11, 2000

A review of Athol Credit Union's residential mortgage originations by dollar amount was also conducted during the examination. This information indicated that the credit union originated \$9,782,000 in residential loans. Of that total, \$9,594,000 or 98.0% was originated within the credit union's assessment area. The Town of Athol represented the highest percentage of residential loans with \$4,446,000 or 45.5%, followed by the Town of Orange with \$1,283,000 or 13.1%.

Residential Lending Activity Inside and Outside the Assessment Area by Dollar Amount

LOCATION	1998		1999		Y-T-D 2000		TOTAL	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
ATHOL	1,740	44.0	2,051	52.7	655	34.0	4,446	45.5
ORANGE	791	19.9	383	9.9	109	5.7	1,283	13.1
PETERSHAM	506	12.8	436	11.1	171	8.9	1,113	11.4
PHILLIPSTON	351	8.8	334	8.6	328	17.1	1,013	10.3
NEW SALEM	467	11.8	95	2.4	273	14.2	835	8.5
ROYALSTON	108	2.7	412	10.6	124	6.4	644	6.6
WARWICK	0	0.0	60	1.5	200	10.4	260	2.6
TEMPLETON	0	0.0	0	0.0	0	0.0	0	0.0
ERVING	0	0.0	0	0.0	0	0.0	0	0.0
INSIDE ASSESSMENT AREA	3,963	100.0	3,771	96.8	1,860	96.7	9,594	98.0
OUTSIDE ASSESSMENT AREA	0	0.0	125	3.2	63	3.3	188	2.0
TOTAL	3,963	100%	3,896	100%	1,923	100%	9,782	100%

Source: In-house LAR files for 1998, 1999 and year-to-date September 11, 2000

A sample of 68 consumer loans for 1998, 1999 and year-to-date 2000 was reviewed during the examination. A total of 64 loans or 94.1% of the sample was originated within the credit union's assessment area. The Town of Athol represented the highest percentage of consumer loans with 35 or 51.5%, followed by the Town of Orange with 16 or 23.5%.

Consumer Lending Activity Inside and Outside the Assessment Area by Number

LOCATION	1998		1999		Y-T-D 2000		TOTAL	
	#	%	#	%	#	%	#	%
ATHOL	12	52.3	12	52.3	11	50.0	35	51.5
ORANGE	6	26.1	4	17.4	6	27.4	16	23.5
NEW SALEM	2	8.7	1	4.3	1	4.5	4	5.9
PETERSHAM	0	0.0	1	4.3	2	9.1	3	4.3
WARWICK	0	0.0	2	8.7	0	0.0	2	2.9
PHILLIPSTON	1	4.3	0	0.0	0	0.0	1	1.5
TEMPLETON	1	4.3	0	0.0	0	0.0	1	1.5
ROYALSTON	0	0.0	1	4.3	0	0.0	1	1.5
ERVING	0	0.0	0	0.0	1	4.5	1	1.5
INSIDE ASSESSMENT AREA	22	95.7	21	91.3	21	95.5	64	94.1
OUTSIDE ASSESSMENT AREA	1	4.3	2	8.7	1	4.5	4	5.9
TOTAL	23	100%	23	100%	22	100%	68	100%

Source: In-house LAR files for 1998, 1999 and year-to-date September 11, 2000

A review of the consumer loans by dollar amount was also conducted. A total of \$716,000 in consumer loans was originated during this period. Of this amount, \$667,000 or 93.2% was originated within the credit union's assessment area. The Town of Athol represented the highest percentage of consumer loan originations with \$380,000 or 53.1%, followed by the Town of Orange with \$176,000 or 24.6%.

Consumer Lending Activity Inside and Outside the Assessment Area by Dollar Amount

LOCATION	1998		1999		Y-T-D 2000		TOTAL	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
ATHOL	153	63.2	121	50.0	106	45.7	380	53.1
ORANGE	54	22.3	63	26.0	59	25.4	176	24.6
PETERSHAM	0	0.0	10	4.1	23	9.9	32	4.5
NEW SALEM	11	4.5	8	3.4	10	4.3	29	4.1
WARWICK	0	0.0	18	7.4	0	0.0	18	2.5
ERVING	0	0.0	0	0.0	12	5.2	12	1.7
TEMPLETON	9	3.7	0	0.0	0	0.0	9	1.3
PHILLIPSTON	8	3.3	0	0.0	0	0.0	8	1.1
ROYALSTON	0	0.0	2	0.8	0	0.0	2	0.3
INSIDE ASSESSMENT AREA	235	97.1	222	91.7	210	90.5	667	93.2
OUTSIDE ASSESSMENT AREA	7	2.9	20	8.3	22	9.5	49	6.8
TOTAL	242	100%	242	100%	232	100%	716	100%

Source: In-house LAR files for 1998, 1999 and year-to-date September 11, 2000.

Athol Credit Union's distribution of residential loans throughout the assessment area is considered exceptional. Therefore, the institution exceeds the standards for satisfactory performance for this criterion.

3. DISTRIBUTION OF CREDIT AMONG DIFFERENT INCOME LEVELS

An analysis of residential mortgage loans extended within the credit union's assessment area, among borrowers of various income levels was conducted. The credit union's assessment area is located within a Non-Metropolitan Statistical Area (Non-MSA). Originations were categorized by the ratio of the applicant's reported income to the 1998, 1999 and 2000 median family incomes for Massachusetts Non-MSA. The median family incomes for the Non-MSA were \$44,900 for 1998, \$46,400 for 1999 and \$48,000 for 2000. Income figures were based on estimated 1998, 1999 and 2000 data from the Department of Housing and Urban Development (HUD).

Low income is defined by the US Census Bureau as income below 50 percent of the median family income level for the MSA. Moderate income is defined as income between 50 to 79 percent of the median family income level for the MSA. Middle income is defined

as income between 80 and 119 percent of the median family income level for the MSA. Upper income is defined as income greater than 120 percent of the median family income level for the MSA.

According to this analysis, 31.0% of the number and 22.5% of the dollar amount of residential loans originated by Athol Credit Union were granted to low and moderate-income members. Refer to the following tables.

Residential Loan Originations by Income of Borrower by Number

% OF MEDIAN MSA INCOME	1998		1999		Y-T-D 2000		TOTAL	
	#	%	#	%	#	%	#	%
<50%	2	3.7	6	11.9	2	8.4	10	7.7
50% - 79%	8	14.8	14	27.4	8	33.3	30	23.3
80% - 119%	16	29.6	12	23.5	3	12.5	31	24.0
120%>	28	51.9	19	37.2	11	45.8	58	45.0
TOTAL	54	100%	51	100%	24	100%	129	100%

Source: In-house LAR files for 1998, 1999 and year-to-date September 11, 2000

Residential Loan Originations by Income of Borrower by Dollar Amount

% OF MEDIAN MSA INCOME	1998		1999		Y-T-D 2000		TOTAL	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
<50%	76	2.0	241	6.4	118	6.3	435	4.5
50% - 79%	426	10.7	878	23.3	418	22.5	1,722	18.0
80% - 119%	1,010	25.5	928	24.6	233	12.5	2,171	22.6
120%>	2,451	61.8	1,724	45.7	1,091	58.7	5,266	54.9
TOTAL	3,963	100%	3,771	100%	1,860	100%	9,594	100%

Source: In-house LAR files for 1998, 1999 and year-to-date September 11, 2000.

Data obtained from PCI Services, CRA Wiz software was reviewed to compare Athol Credit Union's performance to that of other financial institutions granting loans within the assessment area during 1998 (the most recent information available). This information indicated that Athol Credit Union's performance was below the aggregate. As shown in the table below, all lenders within the credit union's assessment area granted 22.2% of their loans to low and moderate-income individuals compared to the credit union with 18.5%.

Athol Credit Union Compared to All Other Lenders Within the Assessment Area

Family Income Level	Number of Loans				Dollars in Loans			
	Athol Credit Union		All Other Lenders		Athol Credit Union		All Other Lenders	
	#	%	#	%	\$(000)	%	\$(000)	%
Low	2	3.7	61	5.2	76	2.0	3,091	3.4
Moderate	8	14.8	201	17.0	426	10.7	13,364	14.2
Middle	16	29.6	357	30.1	1,010	25.5	26,546	28.1
Upper	28	51.9	382	32.2	2,451	61.8	37,363	39.4
N/A	0	0.0	184	15.5	0	0.0	14,105	14.9
Total	54	100%	1,185	100%	3,963	100%	94,469	100%

Source: 1998 Aggregate HMDA Data compiled by PCI Services, Inc. CRA Wiz

A review of a sample of consumer loans extended within the credit union's assessment area, among borrowers of various income levels was conducted. The table below indicates that 26.6% of the number of loans was granted to low-income members and 31.2% to moderate-income members. By dollar amount 22.6% was granted to low-income members and 32.8% to moderate-income members. Refer to the tables below.

Consumer Loan Originations by Income of Borrower by Number

% OF MEDIAN MSA INCOME	1998		1999		Y-T-D 2000		TOTAL	
	#	%	#	%	#	%	#	%
<50%	5	22.7	4	19.1	8	38.1	17	26.6
50% - 79%	8	36.4	8	38.1	4	19.1	20	31.2
80% - 119%	3	13.6	5	23.8	3	14.2	11	17.2
120%>	6	27.3	4	19.0	6	28.6	16	25.0
TOTAL	22	100%	21	100%	21	100%	64	100%

Source: In-house LAR files for 1998, 1999 and year-to-date September 11, 2000

Consumer Loan Originations by Income of Borrower by Dollar Amount

% OF MEDIAN MSA INCOME	1998		1999		Y-T-D 2000		TOTAL	
	\$000's	%	\$000's	%	\$000's	%	\$000's	%
<50%	47	20	41	18.5	63	30.0	151	22.6
50% - 79%	89	37.9	69	31.1	61	29.0	219	32.8
80% - 119%	25	10.6	60	27.0	27	12.9	112	16.8
120%>	74	31.5	52	23.4	59	28.1	185	27.8
TOTAL	235	100%	222	100%	210	100%	667	100%

Source: In-house LAR files for 1998, 1999 and year-to-date September 11, 2000.

It should be noted that consumer loans typically consider the income of only one borrower while this comparison is based on median family income. This has the tendency to somewhat distort the findings. Nevertheless, the credit union's distribution of consumer loans demonstrates the institution's willingness to lend to borrowers of all income levels.

Based upon the above analysis, the credit union's distribution of residential and consumer loans reflects a reasonable penetration among members of different income levels, including those of low and moderate income. Therefore, the credit union meets the standards for satisfactory performance for this criterion.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

The credit union does not have a home office or branch office located within an MSA; therefore, collecting and monitoring data for census tract analysis of the credit union's mortgage lending is not required. In addition, census tract information is not collected on consumer loans. However, since the institution has collected this data on its own in house report, residential lending activity within the assessment area was reviewed to determine the distribution in moderate, middle and upper-income geographies. The assessment area does not include any low census tracts.

According to this review, the majority of originations (75.2%) were located in middle-income census tracts, while 16.3% were in moderate-income tracts. This is reflective of the demographics of the credit union's assessment area. Refer to the following table.

Distribution of Residential Loans by Income Category of Census Tract by Number

CENSUS TRACT INCOME LEVEL	1998		1999		Y-T-D 2000		TOTALS	
	#	%	#	%	#	%	#	%
MODERATE	3	5.5	12	23.5	6	25.0	21	16.3
MIDDLE	44	81.5	38	74.5	15	62.5	97	75.2
UPPER	7	13.0	1	2.0	3	12.5	11	8.5
TOTAL	54	100%	51	100%	24	100%	129	100%

Source: In-house LAR files for 1998, 1999 and year-to-date September 11, 2000.

Based on the geographic distribution of loans in the various census tracts within the assessment area, the credit union meets the standards of satisfactory performance for this criterion.

5. REVIEW OF COMPLAINTS AND FAIR LENDING POLICIES AND PRACTICES

A review of the public comment file revealed that the credit union received no complaints pertaining to the institution's CRA performance since the previous examination.

FAIR LENDING POLICIES AND PRACTICES

The credit union does not have a separate Fair Lending Policy that addresses specifically Regulatory Bulletin 2.3-101, but there are provisions for fair lending within its loan policy. The credit union's Board of Directors approved the proposed loan policy on September 18, 2000.

STAFF TRAINING

In an effort to provide all credit union employees with the knowledge and skills to comply with the provisions of the fair lending regulations, training is provided to all new employees and then annually to all existing employees.

STAFF COMPOSITION

As of September 11, 2000, the credit union had 18 full-time employees, 1 of who is a minority.

OUTREACH

The Officers and Directors of Athol Credit Union participate in numerous economic and social development groups including the Athol Merchant's Association, the North Quabbin Chamber of Commerce, the North Quabbin Citizen Advocacy Program and The Millers River CDC.

CREDIT PRODUCTS AND UNDERWRITING STANDARDS

The credit union employs standard underwriting guidelines for all types of credit offered. These guidelines are intended to provide written guidance to the credit union's lending staff; however, the granting of credit remains a discretionary process at the credit union subject to the evaluation of all credit criteria.

The credit union offers a first time homebuyer program that allows up to a \$5,000 subsidy from the local Millers River CDC, and a homebuyer program allowing up to 90.0% loan to value supported by private mortgage insurance on an adjustable rate mortgage.

Credit products are reviewed weekly by management.

MARKETING

The credit union's marketing efforts appear to satisfactorily reach all segments of its assessment area. The institution regularly advertises in local newspapers including The Athol Daily News, The Recorder and The Town Crier. The credit union also advertises on two local radio stations, namely WJDF and WCAT.

CREDIT EDUCATION

The credit union has not participated in any credit seminars during the current exam period; however, management has planned a first time homebuyer seminar to take place in the fall of 2000, featuring speakers from the real estate, legal and financing profession.

COUNSELING

The credit union refers members experiencing credit problems to appropriate credit counseling services when necessary. Counseling is also provided by two primary credit officers (consumer and residential lenders), and the President. Typically, credit counseling occurs when either an applicant is denied credit or a member becomes delinquent, or occasionally upon request of a member.

SECOND REVIEW PRACTICES

A second review is performed on all denied applications prior to notification of adverse action. The primary credit officer and the President conduct the review. The credit union also employs a secondary process on all approved loans. The Board of Director's credit committee reviews and approves all real estate related loans, and ratifies all consumer loans.

INTERNAL CONTROL PROCEDURES

Although the credit union's assessment area is not located within an MSA, HMDA/LAR data is collected on all residential mortgage applications and reviewed periodically by management to insure all market segments of its lending area are being adequately served.

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

ATHOL CREDIT UNION

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **September 11, 2000**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
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_____	_____
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_____	_____
_____	_____
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_____	_____
_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 2000

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each local community;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.